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CIVIC FEDERATION SUPPORTS FY2016 CTA BUDGET *Holds Fares Flat, but Could be Complicated by State Budget Impasse*

(CHICAGO) In an analysis released today, the Civic Federation announced it supports the Chicago Transit Authority's (CTA) proposed FY2016 operating budget of \$1.47 billion. The budget represents an effective effort to actively manage costs and improve service levels. The full 52-page analysis is available at www.civicfed.org.

"The CTA is continuing to benefit from reforms made in its past four budget cycles," said Laurence Msall, president of the Civic Federation. "However, the Federation again warns the CTA not to rely on the restoration of state funding for reduced fare subsidies." The Civic Federation recommends that the CTA develop an alternative budget plan for FY2016 and work with the RTA, Illinois General Assembly and Governor to re-evaluate the state mandated free and reduced fare programs. These actions will help keep the agency on a more fiscally sustainable path, particularly with significant capital funding challenges and back-loaded debt service costs projected for future years.

Because of the reforms made in recent years and a continued effort to more effectively manage expenses, the CTA is able to produce an operating budget that does not rely on one-time revenue sources, nor does it include any service cuts. The budget restores some express bus service that was cut in 2010 due to budget constraints and enhances bus service in the central business district. Finally, the FY2016 budget continues to invest in technologies that improve the transit experience, such as a partnership with the private sector to provide 4G wireless across 22 miles of subway, the expansion of the Ventra card service to a mobile application that will function across the regional transit agencies and the expansion of real-time transit tracking amenities.

While acknowledging the progress the CTA's pension fund has made since it was close to insolvency in 2006, the Civic Federation retains some concerns about the fund's overly optimistic expected investment rate of return of 8.25%. This rate, which is approved by the pension fund Board of Trustees, remains well above the expected rates of return for other local funds. Additionally, the fund's current 50-year plan to get to 90% funded is less than ideal from an actuarial perspective. The CTA pension fund's actuary recommends that the fund's Board of Trustees consider moving toward a funding level the actuary calls "Actuarial Math" over the next several years. This funding schedule would have a funding goal of 100% funding, rather than using the 90% goal included in Illinois state law, and pay off the unfunded liability over 20 years, rather than the 50-year amortization laid out in state law. If the CTA pension fund is to remain stable over the long run at an affordable cost to taxpayers, these ongoing issues must be examined and addressed by the CTA in cooperation with the Pension Fund trustees and the State of Illinois.

The Federation's full analysis provides additional recommendations to improve the CTA's long-term financial sustainability. These include establishing a level principal policy for new bond issuances, improving budget detail by providing more detail on labor expenses, prohibiting "scoop and toss" refinancing and developing a long-term financial plan.

The Civic Federation is an independent, non-partisan government research organization that promotes efficient delivery of public services and sustainable tax policies in the Chicago region and State of Illinois. For more information, please visit the Federation's website at www.civicfed.org.



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